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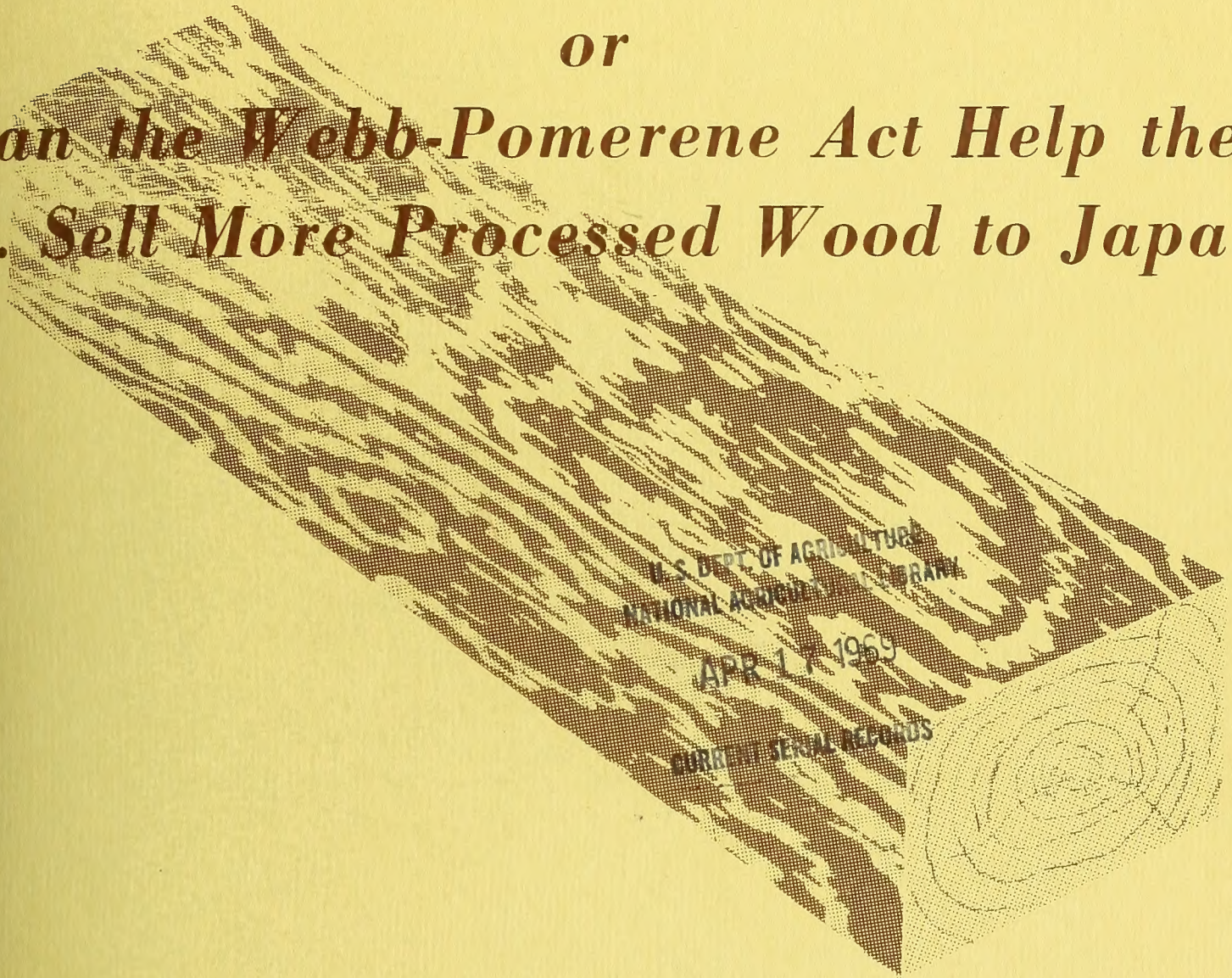


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# *Webb-Pomerene Export Trade Associations and the Wood Products Industries*

*or*

## *Can the Webb-Pomerene Act Help the U.S. Sell More Processed Wood to Japan?*



*PACIFIC NORTHWEST Forest and Range Experiment Station*

*U.S. Department of Agriculture • Forest Service*

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**WEBB - POMERENE EXPORT TRADE ASSOCIATIONS AND THE  
WOOD PRODUCTS INDUSTRIES**

**or**

**CAN THE WEBB - POMERENE ACT HELP THE U.S. SELL MORE  
PROCESSED WOOD TO JAPAN?**

**by**

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1969

**PACIFIC NORTHWEST  
FOREST AND RANGE EXPERIMENT STATION**

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# INTRODUCTION

West coast wood processors are striving to find effective ways to increase the sale of processed wood products in Japan. It is generally agreed that wood products trade with Japan is desirable. However, the mix of wood products exported in the past few years, consisting of large volumes of logs and relatively little lumber and plywood, is unsatisfactory to a large segment of the wood products industries (table 1). In particular, the lumber industry is seeking to increase the opportunity to process some of the logs now being exported and assist in meeting the Japanese demand for wood by shipping more processed wood and fewer logs to Japan.

Not the least among the barriers to effectively marketing processed wood products in Japan is the competitive nature of the wood products indus-

tries. Mead (1964)<sup>1/</sup> ranks the lumber industry among the most competitive in the U.S. economy in terms of a large number of firms and a product that cannot generally be differentiated as to the firm which produced it. This competitiveness exists primarily in the domestic markets for wood products. To most mills, nondomestic markets, if they are even recognized, are a sideline to be turned on and off as conditions in the domestic markets change. These mills feel they have a niche in the highly competitive domestic market and that to turn to nondomestic markets is to risk the loss of that niche which they might never regain. Thus, it is understandable that few mills, acting as individual producers, are willing to actively seek new markets overseas.

<sup>1/</sup> Names and dates in parentheses refer to literature cited in "Bibliography," p. 14.

Table 1. — Exports of logs, lumber, and plywood to Japan from Oregon and Washington ports, 1961-67

Year	Logs <sup>1/</sup>	Lumber <sup>1/</sup>	Softwood plywood <sup>2/</sup>
	M bd. ft., Scribner log scale	M bd. ft., lumber tally	M sq. ft., 3/8-inch basis
1961	328,116	108,791	( <sup>3/</sup> )
1962	286,655	37,975	( <sup>3/</sup> )
1963	638,722	49,705	( <sup>3/</sup> )
1964	739,692	33,393	240
1965	774,908	21,035	539
1966	1,023,242	26,169	2,833
1967	1,494,233	48,057	6,351

<sup>1/</sup> Austin and Hamilton (1968).

<sup>2/</sup> Source: U.S. Department of Commerce.

<sup>3/</sup> Not available.



Also a problem is the lack of exporting information and experience among the personnel of small firms. In a study of why small firms don't export, Grokö and Kreidle (1968) found that the major reasons were:

1. Lack of foreign market information.
2. Fear of foreign competition.
3. Export selling difficulties.

The major export selling difficulties cited were:

1. Government restrictions.
2. Cargo documentation.
3. Segmented markets.
4. Cost and nonavailability of shipping.
5. Foreign administrative problems.

Again, it is understandable why a small firm, wishing to preserve its domestic market position, would be reluctant to get involved with foreign markets. To overcome difficulties such as those cited above would require an all-out effort—not just occasional interest.

The Federal Trade Commission (FTC) recognized some of these problems as early as 1916 in a

report which indicated that small businessmen were disadvantaged in attempting to enter foreign markets individually (Federal Trade Commission 1916). The major reasons cited at that time were combinations of foreign competitors (sellers) and organized buyers—particularly the buying cartels which existed in Germany. This report sparked the introduction of a bill in the U.S. Congress which would allow American firms to cooperate in export trade. This bill eventually emerged as the Webb-Pomerene Export Trade Act of 1918 (Public—No. 126—65th Congress) (H.R. 2316).

The purpose of this report is to bring the Webb-Pomerene Act to the attention of those associated with the wood products industries who are seeking information about export marketing. The general provisions, intent, and performance of the Act will be discussed first to acquaint the reader with the Act. The remainder of the report will discuss the past and potential use of the Act by the wood products industries with a particular focus on the west coast.

## THE WEBB-POMERENE ACT

### Provisions and Intent of the Act

The Webb-Pomerene Act, or the Webb Act as it is commonly referred to, has two provisions which, in effect, allow firms to cooperate for the purposes of export trade in a way that is illegal for purposes of domestic trade:

1. **Section 2 provides that any association established for the sole purpose of engaging in export trade<sup>2/</sup> is exempt from the Sherman Antitrust Act, including any actions it undertakes and agreements it makes in the course of export trade. This exemption is qualified in that the association through its acts or agreements cannot:**

- a. **Restrain trade within the United States.**

<sup>2/</sup> Export trade is defined in section 1 of the Webb Act as "solely trade or commerce in goods, wares or merchandise exported or in course of being exported from the United States or any Territory thereof to any foreign nation."

- b. **Restrain the export trade of any domestic competitor of the association.**
- c. **Artificially or intentionally influence prices within the United States of commodities of the class exported by such association.**

2. **Section 3 provides an exemption from the merger provisions of section 7 of the Clayton Act and allows competing sellers to join together in an export association.**

The intent of Congress was to assist small firms that were financially unable to conduct individual export programs and to assist firms which faced cartels abroad. Specifically, Congress believed that firms could benefit in the following ways under the Webb Act (Federal Trade Commission 1967, pp. 4-8):

1. The costs of exporting would be reduced either by spreading overhead and eliminat-



ing duplicate sales organizations, or by obtaining lower rates on export services such as insurance and freight, or by increasing the line of merchandise offered for export.

2. Groups of relatively smaller scale American producers would more readily be able to enter into and survive in foreign markets in the face of powerful combinations, because of their reduced export costs and increased financial resources supporting export programs.
3. Higher prices and improved sales terms generally would be obtained from foreign buyers, especially those organized into buying cartels, due to the elimination of competition among American firms.
4. Lower shipping rates and other export service charges would be obtained due to organized and concerted effort of the associations.

## Administration of the Act

Sections 4 and 5 of the Webb Act provide broad administrative guidelines. In essence, the Federal Trade Commission is the administrator with its jurisdiction expanded by the provisions of section 4 to include acts committed outside the United States. Associations are required to register with the FTC within 30 days of formation and are required to furnish the Commission, upon request, information about the association's organization, business, conduct, practices, and management relation with other associations, corporations, partnerships, and individuals. The Commission has the authority to investigate alleged violations of the Webb Act by associations and to make recommendations to associations for adjustments in their activities. If an association chooses to ignore the Commission's recommendations, the Commission may refer its findings to the U.S. Attorney General for appropriate action.

## General Performance Under the Act

From 1918 through 1965, 258 associations registered under the Webb Act. Eighty-two of these registrations did not conform to the provisions of

the Act and thus were not valid. Of the remaining 176 registrations, only 130 were active during any time of their existence. There were 29 active associations in 1965.

Since 1920, exports under the Webb Act have averaged 4.8 percent of total United States exports, according to annual data provided to the FTC. This figure is considered an overstatement because many associations reported all exports by member firms whether Webb assisted or not. A survey by the FTC showed that actual Webb-assisted exports averaged only 2.4 percent of total U.S. exports from 1958 to 1962, compared with around 5 percent as calculated from FTC reports (Federal Trade Commission 1967, pp. 23-60).

A Federal Trade Commission staff report contains a detailed history and analysis of Webb associations from 1918 to the present (Federal Trade Commission 1967). For the purposes of this paper, it will suffice to sum up the performance under the Webb Act by quoting Dr. Willard F. Mueller, Director of the Bureau of Economics, Federal Trade Commission:<sup>3/</sup>

The most striking impression to be gained from a review of [Webb] association activities is how insignificant such associations are in overall U.S. export trade. They are few in number, representing only a handful of products, and their activities (with a few exceptions) are narrow, embracing little more than those engaged in by domestic trade associations. Nor are the associations used to counteract foreign cartels. Clearly, the Webb-Pomerene Act, extending limited anti-trust exemption for cooperative business groups engaged in export trade, has not opened a significant channel for the expansion of export trade. Although, *a priori*, export cooperation can be expected to play a significant role in reducing trade barriers by reducing export costs, improving market knowledge, and strengthening bargaining advantages, a half century of experience indicates that the advantages conferred are limited. The right to form Webb Associations has been exercised by few firms and proportionately even fewer small firms. More often than not those exercising the right were least in need of it, being capable of supporting export programs on their own accounts and, in fact, typically doing so. The most that can be said for the Webb-Pomerene Act is that its implementation opened up a new option for developing trade. However, it has proven to be an option rarely exercised by members of the business community.

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<sup>3/</sup> Given in testimony before the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, United States Senate, June 26, 1967 (see also Federal Trade Commission 1967, p. 59).



Despite the rather dismal overall history of performance under the Webb Act, there have been some specific instances of successful associations. Successful associations usually have one major factor in common: The member firms produce a homogeneous product. That is, the product generally has the same characteristics and quality re-

gardless of which member firm produced it. Three product categories accounting for a majority of the active Webb associations have been: food products, chemicals (mostly fertilizer raw materials), and wood and paper products. It is the latter product category that will now be examined in some detail with regard to Webb-assisted activity.

## THE WEBB - POMERENE ACT AND THE WOOD PRODUCTS INDUSTRY

### General History

From April 1918 to the present, 30 wood products export associations were legitimately registered under the provisions of the Webb Act<sup>4/</sup> (table 2). The length of life of these associations varied, but overall, the wood products associations were among the more durable in comparison with associations from all other commodity groups (table 3).

The use of the Webb Act by the wood products industries has declined steadily since the mid-1930's (table 4). At present, only three wood

products export associations are registered: Pulp, Paper, and Paperboard Export Association of the United States (formerly Kraft Products); Plywood International; and Walnut Export Sales Company, Inc. Plywood International is presently inactive.

It is interesting to note that from 1958 to 1968, a period of increasing international demand for wood products, Webb associations in the wood products industries have continued to decline in number and activity. This is particularly notable on the west coast where the 1967 purchases of logs by the Japanese were over 16 times what they were in 1960 — and where not a single wood products Webb association is now active.

<sup>4/</sup> Two other associations were registered but were later found not to meet the requirements as defined by the Webb Act.

Table 2 — Firms registering under the Webb-Pomerene Act for purposes of export trade in wood products, 1918-68

Name and address	Years reporting to FTC	Years active	Products	Total number of members <sup>1/</sup>
1. Alabama-Florida Pitch Pine Export Association Pensacola, Fla.	1929-33	1929-32	Lumber	6
2. American Box Shook Export Association Washington, D.C.	1935-46	1937-45	Wooden shook	23
3. American Export Door Association Tacoma, Wash.	1927-30	1927-29	Wooden doors	10



**Table 2 — Firms registering under the Webb-Pomerene Act for purposes  
of export trade in wood products, 1918-68 (continued)**

<b>Name and address</b>	<b>Years reporting to FTC</b>	<b>Years active</b>	<b>Products</b>	<b>Total number of members<sup>1/</sup></b>
4. American Export Lumber Corp. Philadelphia, Pa.	1919-20	(2/)	Lumber	(51)
5. American Hardwood Exporters New Orleans, La.	1930-52	1930-52	Hardwood lumber	9
6. American Paper Exports, Inc. New York, N. Y.	1918-41	1918-41	Paper and paperboard	61
7. American Pitch-Pine Export Co. Wilmington, Del.	1919-35	1919-35	Lumber and timber	15
8. American Pulp Export Corp. of New York New York, N. Y.	1941-42	(2/)	Woodpulp and related products	(6)
9. Atlantic & Gulf Export Co. Jacksonville, Fla.	1921-	(2/)	Naval stores (rosin and turpentine)	(38)
10. Carolina Wood Export Corp. Wilmington, Del.	1919-23	(2/)	Lumber and wood products	(14)
11. Delta Export Lumber Corp. Memphis, Tenn.	1922-26	1922-25	Red gum forest products, lumber and logs	31
12. Door Export Co. Tacoma, Wash.	1944-58	1944-58	Wooden doors	8
13. Douglas Fir Export Co. (formerly Douglas Fir Exploitation & Export Co.) Seattle, Wash.	1918-60	1918-59	Lumber and logs	277
14. Easco Lumber Association San Francisco, Calif.	1941-53	1941-43 1946-49	Lumber	4
15. Florida Pine Export Association Jacksonville, Fla.	1930-31	(2/)	Yellow pine lumber and timber	(6)



**Table 2 — Firms registering under the Webb-Pomerene Act for purposes  
of export trade in wood products, 1918-68 (continued)**

Name and address	Years reporting to FTC	Years active	Products	Total number of members <sup>1/</sup>
16. Gulf Pitch Pine Export Association New Orleans, La.	1920-33	1920-31	Lumber	7
17. International Wood Naval Stores Export Corp. Gulfport, Miss.	1939-41	( <sup>2/</sup> )	Rosin and turpentine	(8)
18. Naval Stores Corp. New Orleans, La.	1923-30	1923-28	Rosin and turpentine	39
19. Northwest Lumber Exporters Association Seattle, Wash.	1929-31	( <sup>2/</sup> )	Lumber	(26)
20. Pacific Forest Industries Tacoma, Wash.	1935-64	1935-64	Plywood	36
21. Plywood International Seattle, Wash.	1964-	1964-67	Plywood	26
22. Pulp, Paper, and Paper- board Export Association (formerly Kraft Export Association of U.S.) New York, N. Y.	1952-	1952-	Paper and tall oil	19
23. Redwood Export Co. San Francisco, Calif.	1918-60	1918-56	Lumber	20
24. Rosin and Turpentine Export Co., Inc. New York, N. Y.	1923	( <sup>2/</sup> )	Rosin and turpentine	Not available
25. United Export Lumber Association Seattle, Wash.	1931-32	( <sup>2/</sup> )	Lumber	(3)
26. United States Forest Products Co. Kansas City, Mo.	1919-22	( <sup>2/</sup> )	Not available	(13)
27. United States Handle Export Co. Piqua, Ohio	1919-39	1919-31	Wooden handles	15



**Table 2 — Firms registering under the Webb-Pomerene Act for purposes  
of export trade in wood products, 1918-68 (continued)**

Name and address	Years reporting to FTC	Years active	Products	Total number of members <sup>1/</sup>
28. Walnut Export Sales Co., Inc. Indianapolis, Ind.	1919-	1919-42 1945-	Walnut lumber	19
29. Wescosa Lumber Association (formerly Wesco) San Francisco, Calif.	1941-61	1941-61	Lumber	4
30. Western Plywood Export Co. Seattle, Wash.	1926-36	1927-35	Plywood	27

Source: Federal Trade Commission (1967, pp. 88-101).

1/ Figures in parentheses indicate membership at time of registration.

2/ Never became fully active.

**Table 3 — Type of product represented in relation to  
length of life of Webb association**

Commodity group	Length of life of association		
	1-5 years	5-20 years	20+ years
----- Percent -----			
Wood and paper	23	50	27
Chemicals	42	17	42
Food	65	23	13
Nonmetallic minerals	56	22	22
Textiles	25	50	25
Machinery	35	59	6
Miscellaneous	36	55	9
All associations	42	39	19

Source: Federal Trade Commission (1967, p. 32).



**Table 4 — Number of wood products exporting associations registered  
under the Webb Act, by period, 1918-68**

Period	Number registered	Number active
1918-30	20	13
1931-40	16	12
1941-50	12	10
1951-60	9	8
1961-64	5	5
1965	3	3
1966	3	3
1967	3	3
1968	3	2

Source: Federal Trade Commission (1967, pp. 88-101).

## Wood Products Webb Associations in Western United States

Of the 30 wood products Webb associations registered since 1918, 11 had their main offices on the Pacific coast and their activity, if any, was primarily associated with western wood products (table 2).<sup>5/</sup>

Of the 11 Pacific coast Webb associations, only nine ever recorded any activity. The most important of the nine for the purposes of this analysis are: Douglas Fir Export Co., Pacific Forest Industries, and Plywood International. The first two are important because of their length of active operation and apparent success; the latter is important because of its recent (1964) beginning. The functions of these Webb associations are shown in table 5.

**Douglas Fir Export Co.**—The Douglas Fir Export Co. began as the Douglas Fir Exploitation &

Export Co. (Douglas Fir Ex. and Ex.) in 1913. The company was incorporated in Seattle, Wash., and eventually established branch offices in San Francisco and Portland. There were five members at the time of incorporation and about 30 members when the company officially began operation on October 11, 1916.

The purpose of the company is stated in the following excerpt from its bylaws:<sup>6/</sup>

The corporation having been formed for the primary purpose of stimulating and enlarging the use of and market for Pacific Coast forest products in the foreign countries of the world, by associating together of as many of the Pacific Coast lumber manufacturers as will join in the same, with a view of handling the foreign cargo shipments of such manufacturers for a brokerage commission sufficiently large to enable this corporation out of its net earnings to carry on an energetic and comprehensive plan for increasing foreign trade in Pacific Coast lumber products, and with a further view that all the stockholders of this corporation, whether large or small, shall have an equal voice in its management and contribute equitably through the payment of such brokerage to the expenses involved in such exploitation. . . .

<sup>5/</sup> The presently active Pulp, Paper, and Paperboard Export Association has headquarters in New York, but two of its 12 members are in the West; thus, a portion of the activity of this association is associated with western wood products.

<sup>6/</sup> Information about the Douglas Fir Export Co. was obtained from the company files, on deposit at the Oregon Historical Society, Portland, and a telephone interview with Mr. Bernard K. Frank of Portland, former manager of the company.

**Table 5 — Functions of Webb-Pomerene associations related to the  
functions actually performed by selected Pacific coast  
Webb-Pomerene associations**

Function	Level of importance for the company		
	Douglas Fir Export Co.	Pacific Forest Industries	Plywood International
1. Centralize physical distribution of exports, shipping, insurance, etc.	Major	Major	Not a function
2. Employ foreign selling agents through whom members exported to foreign markets	Minor	Major	Not a function
3. Establish uniform price	Major	Major	Major
4. Establish or allocate quotas	Major	Major	Major
5. Establish uniform terms of trade	Minor	Major	Minor
6. Conduct advertising in foreign markets (promotion)	Minor	Major	Minor
7. Distribute information concerning foreign markets	Major	Major	Minor
8. Standardize the product	Minor	Minor	Minor
9. Present a common front against foreign cartels	Not a function	Not a function	Not a function
10. Stabilize credit conditions	Minor	Major	Not a function
11. Reduce warehousing cost through joint storage	Not a function	Major	Not a function
12. Disposal of surplus goods	Not a function	Minor	Not a function

Source: List of functions was obtained from Curry, Robert L., Jr. An economic analysis of the gains from trade effects of Webb-Pomerene export trade associations 1967. (Unpublished Ph.D. thesis on file at Univ. of Oregon Library.) Level of importance was obtained from interviews with company personnel.

The Webb Act was tailor-made for Douglas Fir Ex. and Ex., and the company registered as a Webb association shortly after the Act was passed in 1918.

The early membership included most of the largest lumber mills in the Pacific Northwest. By 1918, there were over 50 members, and their combined capacity was 9.5 million board feet per day.

The members were stockholders of the association, and each member mill was assigned a certain export quota depending on the extent of its holdings in the association. The association handled all export sales from these mills and, at first, sold through association sales agents overseas or through independent export sales companies. In the early 1920's, the association eliminated its overseas sales operation and sold exclusively



through independent export sales companies.<sup>7/</sup> Thus, from that time on, Douglas Fir Ex. and Ex. acted primarily as an intermediary between sawmills and export merchants. Its major functions were to (table 5):

- a. Centralize physical distribution of exports, shipping, insurance, etc.
- b. Establish uniform price.
- c. Establish or allocate quotas.
- d. Distribute information concerning foreign markets.

In 1937, the name of the association was changed to Douglas Fir Export Co.

The association was strong through the 1920's and 1930's. Some members dropped out, but others were signed up and the membership remained fairly steady during this period. Membership began to decrease after World War II as some member firms felt they had become large enough to handle their own export business. Others simply went out of business or decided to sell all of their output in the domestic market. New members were difficult to get because the strong postwar domestic market dampened incentive to export.

Finally, in 1960, with membership down to 11 firms, of which several were not meeting their export quotas, the trustees decided to dissolve the company. Thus, a company, which had had 277 different members over its 47-year history and had been a major factor in establishing Pacific coast wood products in foreign markets, dissolved — just a few years before log exports to Japan grew to over 10 percent of the timber cut in western Oregon and western Washington.

**Pacific Forest Industries.**—Pacific Forest Industries started operating as a Webb association in 1935.<sup>8/</sup> The main purpose of the association was to promote and sell softwood plywood in foreign markets.

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<sup>7/</sup> Actually, the company maintained an overseas sales force "for exploitation only" in countries where Pacific coast wood products did not have established markets. The countries which were considered to be established markets were: Africa, Australia, Chile, China, Ecuador, India, Japan, Mexico, New Caledonia, New Zealand, Peru, South Sea Islands, and all ports of the United Kingdom.

<sup>8/</sup> Information about Pacific Forest Industries was obtained in a telephone interview with Mr. Harold V. Crooker of Tacoma, a former manager of the association.

The association had 11 members at its beginning, and throughout its peak years — which included the World War II years — it accounted for a majority of the plywood volume exported from the Pacific coast.

Pacific Forest Industries operated as a direct foreign sales representative. The association had resident sales agents in foreign countries who operated on a commission basis. Orders were taken and export quotas were assigned to members. All orders were for 4- by 8-foot or 4- by 10-foot panels — no special sizes were marketed. Members from California, Oregon, Washington, and British Columbia delivered their export production to a central warehouse at Tacoma from where ships were loaded.

The major markets for the association were Europe (particularly the United Kingdom), Latin America, the Middle East, and the Philippines.

The major functions of the association were to:

- a. Centralize physical distribution of exports, shipping, insurance, etc.
- b. Employ foreign selling agents through whom members exported to foreign markets.
- c. Establish uniform price.
- d. Establish or allocate quotas.
- e. Establish uniform terms of trade.
- f. Conduct advertising in foreign markets (promotion).
- g. Distribute information concerning foreign markets.
- h. Stabilize credit conditions.
- i. Reduce warehousing cost through joint storage.

The association made Webb Act history in 1939 when it was charged with being "in restraint of export trade of domestic competitors." The charge resulted in the first issuance to a Webb association<sup>9/</sup> of Federal Trade Commission recommendations for adjustment of operations. The FTC charged Pacific Forest Industries with:

1. Prohibiting members from selling plywood directly to other American exporters.

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<sup>9/</sup> Pacific Forest Industries, Ap. 1-13889 (later Docket 202-1), reported in a footnote at 40 FTC Report 843 (1945).



2. Advertising in foreign countries that it was the sole export representative of the plywood mills in the United States Pacific Northwest.

The FTC recommended that the association rewrite its bylaws so that members could sell to other American exporters "without reference to or approval by the association" and that the association not try to "fix or impose prices, terms, or conditions of sales to or by American exporters of plywood produced by its members, or take any other action designed to prevent or restrict such sales." The FTC also recommended that the association stop advertising that it was the sole export representative for Douglas-fir plywood.

The association responded favorably to the FTC recommendations and the case was never referred to the U.S. Attorney General.

Pacific Forest Industries was dissolved in 1964. Three reasons were given for its decline:

1. The expanding Canadian plywood industry took over the association's big market in the United Kingdom because U.S. plywood faced a 10-percent tariff and there was no tariff for Canadian plywood.
2. Japanese hardwood plywood was being substituted for Douglas-fir plywood in Pacific markets.
3. Most of the big firms that had been members decided they could do better on their own in export markets and thus had no need for cooperating through the association.

As in the case of Douglas Fir Export Co., Pacific Forest Industries dissolved just at the time the Japanese demand for Pacific Northwest wood became very obvious.

**Plywood International.**—Plywood International was begun as a Webb association in 1964 with offices in Tacoma, Wash. Its purpose was to engage in the export of plywood and other forest products. Specifically, the bylaws provided that:

... the Board of Trustees or the Executive Committee is authorized to represent the export industry in dealing with federal and local authorities in questions pertaining to the export trade; to bring about uniform and efficient marketing methods, handle claims, and inform members in regard to foreign marketing and cooperative conditions.

The bylaws do not provide for Plywood International to act as a sales agent—this was an intentional omission. The major functions of the association as formulated by its original membership were to set an export market quota for members and to determine a price schedule which would set the maximum prices of Plywood International members to export markets. The association was also to engage in plywood promotion and standardization of product and packaging.<sup>10/</sup>

Plywood International set an export quota of 50,000 square feet,  $\frac{3}{8}$ -inch basis, per month for each member. The association published maximum pricelists and a standard packaging policy for members. However, in February 1967, its membership, then down to 20 from a high of 26, voted that Plywood International "cease to operate until further determination of the membership." Thus, Plywood International is still registered as a Webb association but is dormant.

It is difficult to appraise the operation of Plywood International. Since it did not operate as a sales agent, the setting of quotas and prices was of questionable value. The members still had to decide on their own whether they really wanted to export and then negotiate the sales through an independent export merchant. How much they sold and at what price was essentially independent of Plywood International influence.

Plywood International did not function in export plywood promotion. The association was formed under the auspices of the American Plywood Association. Its members were also APA members. It was the APA that sent trade missions to Japan to promote plywood and maintained full-time representatives in Japan and Europe, not Plywood International. Of course, the reports of these trade missions and representatives were made available to Plywood International, but Plywood International was not the driving force behind plywood export promotion.

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<sup>10/</sup> Information about Plywood International was obtained from Mr. Harold O. Schadt of Tacoma, former acting manager of Plywood International.



Plywood International went dormant because it didn't perform any unique and useful function. Its quotas and price schedules were unenforceable and essentially meaningless. Its attempts to standardize packaging could have been done as well by the American Plywood Association, as was the

case with export plywood promotion. In short, the provisions of the Webb Act were not of much use for the export marketing of plywood — this is of particular significance since Plywood International was formed and operated during a period of expanding wood products exports.

## IS THE WEBB - POMERENE ACT WORTHWHILE FOR THE WOOD PRODUCTS INDUSTRIES?

Can it be concluded by this analysis that the Webb-Pomerene Act is a dead letter with regard to wood products exports? Perhaps. But if so, it isn't because the Webb Act is inappropriate for the export problems of the wood products industries. Rather, it is because the wood products industries either have better alternatives to the Webb Act for marketing overseas, or the segment of the wood products industries that could benefit is not familiar with the Webb Act, not interested in exporting, or not capable of multifirm cooperation in the formation of a Webb association.

It has already been noted that the wood products industries have been among the more active in the use of the Webb Act. In fact, Webb-assisted exports by the currently active Pulp, Paper, and Paperboard Association accounted for \$65.1 million or 14.3 percent of all U.S. exports of pulp, paper, and paperboard in 1962 (Federal Trade Commission 1967, p. 41).

A profile of **active** Webb associations developed by the FTC discloses characteristics that these associations had in common (Federal Trade Commission 1967, pp. 32-34):

1. The member firms produced a homogeneous (nondifferentiated) product.
2. The associations involve firms which are significant factors in their respective domestic and foreign markets.
3. Those associations that acted as sales agents represented firms with **dominant** domestic and world market positions.
4. The associations which were fully functioning (table 5)<sup>11/</sup> were dominated by large firms

and were in industries that were highly concentrated suppliers of raw materials, such as chemicals.

It was noted in particular that, of the total of Webb-assisted exports in 1962, 77 percent was by firms located in industries where 50 percent or more of domestic production was accounted for by the leading eight firms (Federal Trade Commission 1967, p. 45). Mead (1964, p. 55) showed that in 1960 the leading eight Pacific coast lumber firms produced about 20 percent of the Pacific coast lumber output. When the lumber industry for the Nation as a whole is considered, the eight largest firms account for only 13 percent of the production.

Thus, with a nondifferentiated product like lumber or plywood, the wood products industries seemingly have the potential for successful Webb affiliation. However, with regard to the lumber industry, the lack of concentration in production is a factor against successful Webb affiliation. It should be noted that Douglas Fir Export Co. and Pacific Forest Industries prospered mainly during the period that they represented a majority of the production in their respective industries — and faltered when the larger companies dropped their membership. This is ironic in that the Webb Act was designed primarily for the benefit of small firms in export trade.

A conclusion based on the above analysis is that if successful Webb affiliation does inevitably depend on membership by the large firms representing a large portion of the industry output, then it is not likely that a successful Webb association could be formed in either the Pacific coast lumber or plywood industries. In both industries, the larger

<sup>11/</sup> Performing all or nearly all of the functions conducted by any Webb association.



firms are already independent exporters. A Webb association which would only represent competition to their existing export marketing system is not likely to be encouraged.

If, however, the theory and intent of the Webb Act is valid, there may be a potential for a successful Webb association for the Pacific coast wood products industries exclusive of the larger firms. At present, wood products firms have the opportunity to export through export merchants — either independent trading companies or one of the large firms in the industry that has an exporting function. It is up to the firm to decide to export and then to work with the export merchant to arrive at satisfactory marketing arrangements. If this alternative is satisfactory to the industry as a whole and if everyone that wants to export is being adequately served with regard to export marketing arrangements, price, etc., then there is no need for a Webb association. A Webb association is an alternative that should be considered only if the above arrangements are not entirely satisfactory.

It is conceivable that a number of wood products firms that are not now in the export market, or who just dabble in it, could collectively decide to give up all or a portion of their position in the domestic market in favor of an intensive effort in overseas markets. If they carefully assess the export market potential and the competition from

other exporters, both U.S. and non-U.S., and decide that they can compete, there is every reason to believe that their potential success can be enhanced by forming a Webb association. In fact, the formation of a Webb association is a logical first step just to determine who will be on the team and how team membership will influence the ability to compete.

The success of such an association, other things being equal, would depend on:

1. A membership committed to the export market with volumes large enough to handle typical foreign orders.
2. A competent association management that is aggressive as a selling agent or as an intermediary between mills and exporting merchants and is knowledgeable about the intricacies of foreign trade.

The functions performed by such an association would depend on the desires of the membership; but to be useful, the association must have some productive functions which would be impossible or less efficient under any alternative export marketing arrangement. One obvious function in this category is price setting.<sup>12/</sup>

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<sup>12/</sup> One difficulty in foreign trade of wood products has been frequent export price fluctuations which are related to price changes in the domestic markets. Exporters tend to have more success if they stabilize export prices — a very good possibility under Webb affiliation.

## SUMMARY

The Webb Act was spawned during a period of uncertainty with regard to the ability of U.S. firms to compete in world trade. In the ensuing 50 years, the United States has become very successful in world trade, with very little of this success attributable to the existence of the Webb Act. Recent study of the Webb Act by the Federal Trade Commission has prompted the following comment (Federal Trade Commission 1967, p. 69):

A combination of established administrative precedents as well as changing conditions in world trade provide a basis for recommending that Congress clarify its intent with respect to the Webb-Pomerene Act. In particular it is recommended that Webb-Pomerene exemptions be limited to firms that can demonstrate need.

This recommendation arises from the irony that the Webb Act, which was designed to assist small firms, has benefited mostly large firms that didn't really need the provisions of the Act in the first place.

It is a significant fact that the wood products industries have been among the more active users of the Webb Act. However, even among the wood products Webb associations, success has been related to the participation of large firms. For example, the Douglas Fir Export Co. and Pacific Forest Industries flourished only while the larger firms were members and faltered when these large

firms dropped out. Also, the currently active Pulp, Paper, and Paperboard Association has the Nation's largest paper firms among its members.

The need for and benefits of a Webb-Pomerene association in the Pacific coast lumber and plywood industries are conjectural, but the Webb-Pomerene Act does provide an alternative export

marketing arrangement which can have some unique functions.

In the quest for expanded trade in finished wood products with Japan and other countries, the possibilities of Webb-Pomerene associations should not be overlooked.

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Provisions of the Webb-Pomerene Export Trade Act and its history of performance are presented. Use of the Webb Act by west coast wood products industries is discussed in detail. Webb-Pomerene Associations should be considered by firms interested in export trade. Requirements for success of such an association are discussed.

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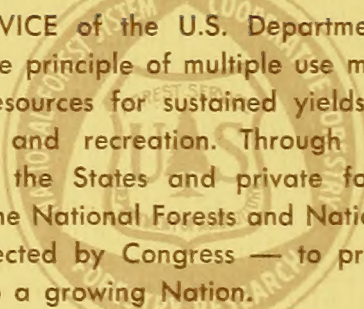




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